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C O N F I D E N T I A L SECTION 01 OF 02 JERUSALEM 000895

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SIPDIS

NEA FOR FRONT OFFICE; NEA/IPA FOR  
WILLIAMS/SHAMPAINE/BELGRADE; NSC FOR ABRAMS/WATERS;  
TREASURY FOR NUGENT/HIRSON

E.O. 12958: DECL: 05/10/2017  
TAGS: [ECON](#) [EFIN](#) [KWBG](#)  
SUBJECT: PALESTINIAN STOCK EXCHANGE SLIDES; LOOKS TO  
E-TRADING TO BOOST VOLUMES

REF: 06 JERUSALEM 3679

Classified By: Consul General Jake Walles, Reasons 1.4 (b) and (d).

11. (SBU) Summary: Lowered investor expectations following the formation of the PA national unity government have caused the Al-Quds Index of the Palestinian Securities Exchange (PSE) to decline to its lowest level in nine months, closing at 492.76 points on May 15, down from a nine-month high of 674.03 points on February 11. To boost trading volumes and reach potential customers abroad, the PSE Chairman finalized agreement on a new e-trading service, which was first launched April 29. Two new companies, Wassel (a PADICO subsidiary) and the Al-Rafah Bank, began trading on the PSE, as part of an ongoing effort to list all publicly-traded Palestinian companies. End Summary.

#### Al-Quds Index Hits Lowest Point in Nine Months

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12. (SBU) After several months of hovering in the 600-point range, the Al-Quds Index of the PSE fell below 600 points on April 4, and five weeks later, fell below 500 points to close at 492.76 points on May 15. The last time the market reached this point was at the end of a six-month free-fall following the 2006 PLC elections (reftel). In a meeting with Econoffs May 10, Bashar Masri, Chairman of Massar (a Palestinian holding company that owns Sahem Trading and Investments, the largest Palestinian brokerage house), attributed the continuing decline to lowered investor expectations following the formation of the national unity government.

13. (SBU) The stock slide had temporarily paused in the first week of May, after 24 companies, primarily banks and insurance companies, reported profits in the first quarter of 12007. Seven companies reported losses, mainly from the industrial, services, and investment sectors.

#### E-Trading Begins

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14. (SBU) PSE Chairman Hasan Abu-Libdeh announced publicly on April 23 that the PSE had reached agreement with listed companies to authorize its brokers to offer e-trading. Abu-Libdeh said he expects the initiative to increase trading volumes by "a large percentage," because individuals who do not reside in the West Bank and Gaza Strip can now begin investing in companies on the PSE.

15. (C) The service was first made available April 29 through Sahem Trading and Investments, currently the only company to

launch e-trading in the West Bank and Gaza. Samir Zraiq, General Manager of the company, told Econoffs May 10 that Sahem had invested USD 500,000 in the e-trading service, with the goal of adding new customers from abroad. He added that within the first eleven days of the service, Sahem had already added hundreds of accounts, including three new large customers in Jordan that "could make the entire investment worthwhile." Although Zraiq said that Arabs residing in North America are one of the biggest potential target markets for the new service, he has not yet decided on the optimal marketing strategy to reach them. To date, he said, most marketing of PSE e-trading has been in Jordan, the West Bank, and Gaza.

16. (C) Masri said that he hoped Sahem could reduce its fees for e-trading and thus increase trading volumes once competition increased. He believes fees for e-trading should be reduced by as much as 50 to 60 percent. Currently, according to Zraiq, the fee for e-trading is pre-set by the PSE at 0.82 percent of the trade (including VAT), the same level the PSE has set for traditional trading through brokers. The PSE's website shows that the broker receives 57 percent of the fee, while the PSE takes 24 percent, the value-added tax (VAT) takes 12 percent, and the Capital Markets Authority (CMA) takes 6 percent.

PSE Still Pressuring Companies to List  
and Disclose Financial Statements  
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17. (SBU) The CMA appears to have made some progress in pressuring publicly-held Palestinian companies to list on the PSE since August, when only 31 publicly-held companies were listed on the PSE (reftel). Two companies, Wassel (a PADICO

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subsidiary providing logistics services) and the Al-Rafah Bank, announced in April that they had begun trading shares on the PSE. This brings the total number of listed companies to 36. Zraiq noted that by adding Wassel and Al-Rafah Bank to the PSE, along with their 43,000 investors, the CMA has already increased the number of investors registered with the PSE by 50 percent, which is fueling business for brokers like Sahem.

18. (SBU) Abu-Libdeh publicly announced on May 3 that 31 of the 36 companies disclosed their first quarter 2007 financial statements (88 percent). He said the PSE and CMA would take action against the five companies that did not file the required statements.

WALLES